“YES Bank Limited

Q4 FY '25 and FY '25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to YES Bank's Q4 FY '25 and FY '25 Earnings Conference Call. On the management panel, we have with us today Mr. Prashant Kumar, Managing Director and Chief Executive Officer; Dr. Rajan Pental, Executive Director; Mr. Manish Jain, Executive Director; Mr. Niranjan Banodkar, Chief Financial Officer; and Mr. Sunil Parnami, Head of Investor Relations and Sustainability. Mr. Prashant Kumar will now give you an overview of the results, which will be followed by a question-and-answer session.

As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Before we further proceed with this call, please note, while all efforts will be made that no unpublished price-sensitive information would get shared, in case of any inadvertent disclosure, the same would, in any case, would form the part of recording of the call. Further, some of the statements made on today's call could be forward-looking in nature. A note to this effect is provided in the Q4 FY '25 and FY '25 results presentation itself, shared on the Bank's website.

I now hand the conference over to Mr. Prashant Kumar. Thank you, and over to you, sir.

Prashant Kumar: Thank you so much. First of all my apologies for delay in this analyst call. But again thank you so much, and very good afternoon to all of you and thank you for joining us today for our quarter 4 and the full year '25 earnings call.

On this call, I'm accompanied by the senior team members of the Bank. On our first slide, quarter 4 has marked the completion of 5 years since March '20. And as you might have been noticing, all along in these preceding 5 years, the Bank has put in a lot of effort to continue to strengthen its franchise and steadily worked on several underlying themes to progressively keep improving its overall positioning and profitability.

Some of the key outcomes of the efforts made by the team has been presented on Page 2 to 5 of the Investor Presentation. And as we look ahead, we remain committed to continue to work towards further strengthening the YES Bank franchise and improving its profitability and stay nimble and agile in our approach and action.

Before I come to our results, I would like to sincerely thank all our customers, YES Bankers, and all the different stakeholders, regulators, and the shareholders for their continued support to the Bank.

Now talking about our results, last fiscal, we continued to make steady improvements across all the core operating metrics and progressed well on the key strategic objective of improving the Profitability of the Bank. While I would call out a few of the key highlights here, you may kindly refer our Investor Presentation for more details.

1. We have reported a Net Profit of INR 2,406 crores, which was up 92.3% Y-o-Y and the highest since March 2020. The Bank's full year Return on Assets has come in at

0.6% against 0.3% in FY '24. Sequentially, the Bank exited the year with an ROA of 0.7% in quarter 4.

2. Despite the competitive macro environment, Bank's full year Net Interest Margin remained stable at 2.4%. The Y-o-Y decline in Yield on Advances from 10.2% to 10.1% has been partially offset by marginally better yields on RIDF balances.
3. However, for quarter 4, the Net Interest Margin saw a sequential uptick of 10 basis points and came in at 2.5%. This was actually supported by our efforts in containing the Cost of Deposits, reduction in high-cost borrowings, and lower RIDF balances. FY '25 Net Interest Income of INR 8,944 crores has actually gone up 10.5% over fiscal '24.
4. In line with our guidance, in FY '25, Bank had 100% compliance in PSL and all of its subcategories, which resulted in notable reduction of RIDF and other mandated deposits to 8.7% of Total Assets against 11% as at the end of FY '24. The Bank continues to see a gradual increase in its organic accretion of PSL across sub-categories.
5. Moreover, during FY '25, the Bank has also sold excess PSL across General, Micro and Agri sub-categories, which resulted in an income of INR 79 crores. The aforesaid sale of excess PSL is expected to also lower the compliance burden for next year.
6. Going forward, the Bank remains well on track to reduce these deposit balances well below 5% by fiscal '27.
7. As regards Non-Interest Income, the Bank saw continued momentum across all diverse and granular fee income streams. Over the last 2 years, the Bank has seen a meaningful increase in its Non-Interest Income to Average Assets, which has increased from 1.1% in FY '23 to 1.4% in FY '25.
8. Cost-to-income ratio has improved to 71.3% from 74.4% in FY '24. The decline has been in line with our broad guidance to gradually keep bringing down our Cost-to-Income Ratio, and we expect the momentum to continue.
9. For FY '25, the Bank had Pre-Provisioning Operating Profit of INR 4,254 crores, which has grown 25.6% Y-o-Y. PPOP as a percentage to Average Total Assets has improved to 1.0% against 0.9% for fiscal '24.

<u>Moving over to Asset Quality highlights.</u>

10. We ended FY '25 with a Gross NPA and Net NPA ratio of 1.6% and 0.3%, respectively, the best ever since March '20 quarter. Further, the Provision Coverage Ratio has been further stepped up to 79.7% against 71.2% last quarter and 66.6% in quarter 4 last year. Including technical write-offs, PCR now stands at 87.6% against 82.4% in quarter 3 and 79.3% in quarter 4 last year.
11. The resolution momentum remains strong. The Bank had Total Recoveries and Upgrades of INR 5,923 crores in FY '25, which was ahead of our guidance of INR 5,000 crores.
12. We have made 100% provision on the outstanding Security Receipt. And as a result of that, the Net Carrying value of SR as percentage of our Advances are now NIL.
13. Gross slippages has come in at INR 5,090 crores against INR 5,334 crores in FY '24. And as a result, Slippage Ratio has improved to 2.1% against 2.3% in FY '24. Also

sequentially, a marginal improvement has been seen in the Overall as well as in the Retail Slippages.

Moving over to Balance Sheet and other key highlights.

14. Regarding Advances and Deposits - though the headline growth was moderate, by design, it was anchored around our strategy of Profitable Growth. However, the underlying constituents and the quality of both Advances as well as Deposits, continues to be good and broadly in line with our desired mix.
15. Speaking particularly of Deposits, the Bank continues to focus on quality, granularity, and cost. Just to call out, our Cost of Deposits has remained largely around 6% over the last six consecutive quarters, and with our recent rate cuts, we expect it to further improve going forward.
16. For full year and quarter ended 31st March '25, the CASA Ratio came in at 34.3% as compared to 33.1% in quarter 3 and 30.9% in quarter 4 last year. During the year, the Bank added 1.3 million new CASA accounts, and we have also opened 37 new branches in CASA-rich clusters.
17. The CD ratio sequentially further improved to 86.5% against 88.3% in quarter 3.
18. In quarter 4, the Average Quarterly LCR remained healthy at 125%.
19. Regarding our Capital Position, the CET, and the Overall Capital stand at 13.5% and 15.6%, respectively.

Now talking of some of the other business highlights.

20. We got authorized by Government of India for collection of GST as well as Direct and Indirect taxes. Bank has already gone live with GST collection for both customers as well as non-customers. And we would go live for collection of the direct as well as indirect taxes during the current quarter.
21. Another notable highlight was that the Bank was ranked highest amongst Indian banks in S&P Global and CDP rating for ESG and climate disclosure. This is the third year in a row of the Bank.
22. Lastly, we see good traction in new user registration as well as monthly active users in newly launched payment solutions, which are YES Pay and YES Pay Next.

Before taking your questions, I would like to reemphasize that YES Bank's strategy and actions are fully anchored around improving its overall positioning and profitability.

Towards that, a lot of work has already been put into motion on several underlying themes, which is expected to fully play out in the coming quarters. Some of these key initiatives and the underlying trends are briefly captured on Page 22 of our Investor Presentation.

To conclude, Bank's core franchise has gained significant momentum and is quite well placed to continue to thrive and the Bank remains disciplined and focused on its execution. Once again, thank you so much for your continued support, and now we can take your questions. Thank you.

Moderator: The first question is from the line of Dev Dey from Horsepower Securities. Please go ahead.

Dev Dey: Good Afternoon, gentlemen, Congratulations to the management team for delivering such an excellent result in this quarter.

Prashant Kumar: Thank you so much.

Dev Dey: My question is regarding Interest NII trajectory. From here on, do you project that the NII would grow at what rate? And are you going to lag behind your peers in respect of the want of capital and NII growth? Because I'd like to highlight one of your competitors has been planning to raise INR 7,500 crores to tap the growth opportunity – upcoming growth opportunity. What would be your plan to counter that and tap the upcoming growth opportunity, because your NIIs are not growing as expected by the investors?

Prashant Kumar: So, I think there are two parts of your question. One in terms of the growth on the NII side and the second in terms of the capital requirement for the future growth of the Bank. So currently, our Core Capital, which is CET1, is 13.5%. And this capital is sufficient to take care of our growth aspiration for the current financial year. We would continue to explore the requirement of capital if we find more opportunity for the growth going forward. But as of now, this is adequate to take care of our growth aspirations.

Dev Dey: Pardon my interruption. I mean, for upcoming years, what is your projected loan book figure. I mean, it's currently INR 2.46 lakh crores. I mean, within 1 to 2 years, what is the projected figure that you are working on? I mean, do you have any internal target that it may be INR 3 lakh crores or INR 3.5 or less than that? What would be that?

Prashant Kumar: So, I think this is what I was sharing earlier also. We would be targeting a loan growth between, say, around 12% to 15%. And again, this would depend on the opportunity which is available in the market due to various developments which happen domestically as well as globally. But I think this would be the range. And for this range of growth, this capital is sufficient. That is one point which I was making.

Coming to your second part in terms of NII growth, I think you must have seen that because of the tighter liquidity position and a lot of competition in the market on the loan side, I think everybody would see a pressure on the NII growth. In those kind of scenarios, our NII growth, we think is quite reasonable. And once the loan growth would start moving up, especially coming from the Retail Segment, we would also see a better growth on the NII side also.

Dev Dey: This would be, gentlemen, my last question. In previous quarters, you expressed your interest to venture into the microfinance segment, right? Are you still interested?

Prashant Kumar: No. I think you must have seen like what is happening in the microfinance sector. Last time also I mentioned maybe there are headwinds in the sector, but business per se remains an attractive proposition. If we get some good opportunity for inorganic growth, we would definitely examine it.

Dev Dey: Okay. But are you still lending to those institutions who are lending directly to the microfinance units?

Prashant Kumar: Again, it depends. Like we are absolutely keeping a very close watch like what is happening in the market. And definitely, when these kind of headwinds are there, you become more selective. It is not like you stop it, but you become more selective. So, I think we keep that kind of cautious approach for financing institutions.

Dev Dey: And what about the stake sale? Is it put in the back burner or still you are exploring the option? I mean, those financial investors, are they still exploring the options or they want to stick to their holdings?

Prashant Kumar: So, I think you are asking a question from a wrong person, okay? Because we don't have any stake. We only have a stake in the YES Securities and we don't intend to sell our stake.

Moderator: The next question is from the line of Harsh Modi from JPMorgan. Please go ahead

Harsh Modi: Hi. Thanks for taking my question. I just wanted to understand the path of your NIM over next 3 to 4 quarters. So, as we get a rate cut cycle and JPMorgan forecast is for another 100 basis points from here, how do we think about your strategy? Would you try to gain more market share on Deposits in this rate cut environment? Or would you prefer to deliver slightly better NIM over the next 3 to 4 quarters. So, if you could just detail the path of Net Interest Margin and Bank’s strategy to manage NIM, that will be great. That's all my questions.

Prashant Kumar: So Harsh, I think absolutely, you are right in terms of we have already seen a 50-basis point rate cut, and we expect a further rate cut in the current financial year. I think in this backdrop, we have also taken a call in terms of reducing the rate of interest on both Saving Bank as well as on the Term Deposit side, okay? So, one lever in terms of protecting and improving our margins is by reducing the Cost of the Deposits.

The second part is in terms of that, going forward, we are going to see a reasonable growth in our Retail Assets, which gives better yields on the Assets side. And we would like to keep that proportion of Retail and SME at around 60%. And definitely, the Retail Assets gives you a better yield than the Corporate side. We will continue to win this part.

The third part in terms of managing the margins, which was earlier a drag, was our non-compliance on the PSL, okay? Now because of non-compliance on the PSL, almost 11% of our Assets were there in the RIDF, where the yields are very low. We have already seen that 11% coming down to 8.7% at the end of FY '25. And we would be seeing, for the next 8 quarters, this 8.7% coming down to less than 5% to the Assets.

So, I think these 3 factors in terms of continuing to reduce the Cost of Deposit by reducing Rate of Interest, improving the proportion of the Current Accounts, seeing in terms of going for those asset classes where the margins are good, protect the margins, continue to focus on the profitable growth.

I think your question was more in terms of whether we would like to garner just the market share. But I think our focus has been on the profitable growth and the PSL part has been taken care. So I think with these 3 levers, we are quite hopeful that not only we would be able to

protect, but we would be able to improve margins going forward. Niranjan, would you like to add anything?

Niranjan Banodkar: No, I think Prashant has covered this well in terms of the levers that we are looking at. But as I think, Harsh, you rightly pointed out, in a falling interest rate scenario, you will, of course, go through leads and lags on timing the Advances repricing versus the Term Deposit repricing, right? So the way at least we are approaching the structure of margins is that at the core level, we will want to protect the spreads between our Term Deposit rates and the Loan Yields. I think that's the spread that we will want to protect.

Of course, we acknowledge that there will be a timing difference that could play out in this period. And therefore, one way to mitigate that is to see how we can improve the mix of CASA, because that kind of protects the spreads in the interim. And second is to see if we can reprice the SA, pricing on the stock, which Prashant has spoken. Now that's really on just the core loan spread structure. I think we are confident that as we kind of go through, let's say, a 3 to 4-quarter cycle, we believe we should come on the higher side of margins in this period, but it will go through a volatile period.

The second part which is also playing out for us is we are now also beginning to see our slippages trend better. And that also means that the interest accruals that we were foregoing last year will also begin to now showcase in the earnings and therefore, the margin. So that's also another lever that we believe will play to our advantage as compared to the last couple of years. And of course, I think Prashant has already mentioned about how RIDF balances will continue to help us scale margins.

But having said all of this, we also acknowledge that especially on the non-retail segments, we've also seen that there is intense competition, and there are also quite thin margins that we do see. There is intense competition happening there. So we will continue to make sure that we operate within our Profitability threshold, but at the same time, acknowledge that it is a very tight market in that space. I hope this clarifies the question you had in your mind.

Harsh Modi: Thanks for the explanation. So that I get it right, basically, due to the leads and lags, there is a risk of some degree of NIM pressure over the next couple of quarters. But given the levers that you spoke about, 3 to 4 quarters out, we should ultimately get higher NIM. Is my understanding correct?

Niranjan Banodkar: That's correct. And even in the interim, the mitigants will be through -- as Prashant said, the mitigants will also be through a repricing of the entire, let's say, SA book. Those will also aid us -- cushion any impact that kind of comes through a lag transition of Deposit pricing.

Harsh Modi: Got it. And one more question, if I may, is on Asset Quality. As you said, there's improvement, but there's a massive change in some of the global growth outcome. And would you, not today, but let's say, 6 months hence, expect any weakness in any sort of trade supply chain, any sort of SME book, any kind of Retail book, because there are some, let's say, IT companies talking about not increasing salary right away and so on. So as you think about early warnings over the

next 3, 6, 12 months, are there any things that you suggest we should be more focused on? Thank you.

Prashant Kumar: Harsh, we are not seeing currently any such trends, okay, where the weakness in either of those sectors or the portfolios are being observed. Actually, we are seeing a reverse trend, where we are seeing improvement in different sectors. Like the Retail side, we have seen the Retail Credit Cost has been plateaued in quarter 2, 3, and we are seeing an improvement in quarter 4.

On the Unsecured and Credit Card side, we are also seeing that plateau to happen. And we have seen a very good behavior from our SME and the mid-market customers. So I think currently, we don't see any such signals in any such part where there is an issue around this. But definitely, because of whatever is happening on the overall global side, we have to be very watchful and cautious, and we are closely monitoring all the sectors.

Harsh Modi: Thank you so much.

Moderator: Thank you. The next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Hi sir , good evening Thanks for the opportunity. Sir, first question just on this continuation of this Net Interest Margin. So if you can quantify the share of maybe the Fixed Rate book and EBLR and maybe MCLR-linked loans? And what would be the blended cost of Savings Account as of March '25?

Niranjan Banodkar: So Jai, the floating rate book that we have is about two-thirds of our loan book, right. It's a combination of repo and also some of them will be linked to T-Bills as well. So that's the first part. The second is, you had a question on the Savings Account blended rate. We have about blended rate of 5.7% to 5.8% and that's the rate in which it is toggling on the entire savings account.

Jai Mundhra: Right. And how do you look at Savings Rate? I think as of now, you are still offering 7% plus on balances above INR10 lakhs. A lot of peers have cut the Savings Rate up to INR 50 lakhs and above INR 50 lakhs balance. And your Savings growth so far has been superior. How do you see the Savings Rate that you offer right now? Is there any further scope to cut or you would like to see behavior of this cut at least in the medium term and then would like to have a relook?

Prashant Kumar: So Jai, we have already taken a decision in terms of reducing rate of interest on the savings side, which would be implemented from Monday. So up to INR 10 lakhs, the revised rates would be 3%. Between INR 10 lakhs to INR 25 lakhs, this would be 3.5%. Between INR 25 lakhs to INR 50 lakhs, this would be 4%, and more than INR 50 lakh, this would be 5%.

Jai Mundhra: Okay, sure. Sorry. So I was not aware about this. So that is good. And secondly, so this year, we had a good recovery of more than what we had estimated at the beginning of the year. So we did, I think, INR 5,900 crores recovery. If you can ballpark help us what is the kind of recovery that you are expecting this year?

And within that, how much could be from Security Receipts? Because now that the balance is NIL, anything that comes from that portfolio ideally should directly go to Other Income, right? Is that the accounting right? And how do you look at the overall recovery and SR recovery?

Prashant Kumar: No, I think the first like we have made 100% provision on the security receipts and everything which would come would add to our profits. But in the terms of accounting, it will not add to the Other Income. It actually takes care of the provisioning part, okay? That is one.

The second thing like since now we are having a 0.3% Net NPA, okay? The stock of the NPAs from the recoveries are made is also coming down. And since now the SR pool has also come down, okay, and where it would take a more effort last year, it would take a little longer time.

We are expecting something around INR 1,000 crores of recovery coming from the security receipt during the current financial year and another INR 2,000 crores from the assets which are either written off or which are the NPA pool within the Bank. So overall, around INR 3,000 crores.

Jai Mundhra: Okay. Sure, sir. And Restructured Loans, sir, they have declined very sharply from INR 1,900 crores to INR 400 crores. I think you have mentioned that it is primarily due to repayment. Is there any sector-specific thing or you have seen some one-off, or if you have any more color there?

Niranjan Banodkar: So this is with respect to a refinancing that happened on one of the hospitality sector exposures that we had. Of course, this went through a restructure, but we are now fully repaid on that exposure.

Jai Mundhra: Sure. And last question, sir, I think in the media, there have been a lot of -- a few reports of layoff in the Retail Asset Division of the Bank. The Retail business, as you had also mentioned that the Bank is now focusing more on profitability, you have cut down or scaled back some of the PSLC's and some of those growth.

If you would like to comment, how are you looking at, I mean, the layoff situation? Have you done that? Is that process over? Was there any change in the way you were doing Retail Businesses apart from what you have mentioned in terms of profitable growth?

Prashant Kumar: So Jai, I think the first clarification which I would like to give that this restructuring or the consolidation of the businesses have not been done only in Retail, it has been done across the Bank, which includes Wholesale as well as Retail. And why we have done this consolidation or restructuring, because in the life stages of all the organization, you continue to prepare yourself for the future business plan of the Bank.

So I think, for the next 5-year Business Strategy, we were thinking in terms of how to converge different businesses for better solutions to customers, better efficiency, and also in terms of the very focused business growth by the different business verticals. So what fundamentally we have done?

On the Retail Liability side, we have converged two businesses, two different business lines into the Branch Banking. Because going forward, in our Business Strategy, the Branches would be the fulcrum for acquisition of customers as well as in terms of servicing the customer, okay? That is one part which has been done. The second part that's currently the SME business, which falls under Retail, actually consists of different, I would be saying, the customers.

One is like a Micro SME, okay, which is mostly done by the Branch Banking. Then you have a Medium Enterprises, you have a Small Enterprise business. What we have done that on the micro side, which is handled by the Branch Banking, has been consolidated with the Branch Banking, whereas the Medium Enterprise and the Small Enterprise, which actually aligns more with the mid-market, okay?

So we have done a consolidation between the mid-market, small enterprise, and the medium enterprise as a Commercial Banking business segment, which would report into the Executive Director on the Wholesale side. I think these are the two fundamental things which we have done. We have also merged the financial institution group like International Financial Institution group was sitting separately and domestic was separately. We have consolidated that position.

Similarly, on the Wholesale side two different business units, which is the Multinational Corporation and the Start-up segment have been merged together. So the entire exercise was more in terms of a business consolidation for giving more outreach to customer by a single business unit. This has been done to take care of our Business Strategy or the requirement for the next 5 years.

So that's why this exercise has already been done, keeping in view a very, very long-term Business Strategy of the Bank. But definitely in all the organizations you continue to review, you continue to see how you can further improve the efficiency. But I think largely, it has been done.

Jai Mundhra: Right. Thank you so much, sir. Thanks and all the very best.

Moderator: Thank you. The next question is from the line of Sumeet Kariwala from Morgan Stanley. Please go ahead.

Sumeet Kariwala: Hi, Prashant, Hi Niranjan. So just wanted to check, one, did you mention that two-third of your loan book is linked to repo and T-bills?

Niranjan Banodkar: It is floating rate the external benchmark, not all of it will be -- but yes, bulk of it will be repo and T-Bills.

Sumeet Kariwala: How much is MCLR in that, please?

Niranjan Banodkar: MCLR is a single-digit number.

Prashant Kumar: 10% to 12%.

Niranjan Banodkar: 6% at least.

Sumeet Kariwala: Okay. Got it. And the second question was with respect to recoveries. So you mentioned 20 billion from written-off pool and NPL pool. Can you quantify the written-off pool as well the quantum of recoveries from written-off pool?

Prashant Kumar: No, I think, Sumeet, the one portion is definitely the Security Receipt where 100% provisions have been made. We are expecting something around 10 billion, which is INR 1,000 crores from that pool. Now remaining 20 billion would be from the pool of mostly the Retail side, which includes both completely written off as well as the NPA pool, but basically it would be coming more from, say, written-off pool because our Net NPA has come down to 0.3%.

Sumeet Kariwala: Very clear, sir. And there's a meaningful cut in Savings Deposit Rates. Broadly, other things remaining the same, how much would Cost of Deposits come down by because of that?

Niranjan Banodkar: So we are expecting overall Cost of Deposits to be lower by approximately 20 basis points.

Sumeet Kariwala: Overall, yes, this is just because of SA Deposit cut?

Niranjan Banodkar: Yes, SA Deposit. But Sumeet, I would encourage that we should not anchor that for any immediate impact standpoint because like I was mentioning in my earlier conversation, the way this cycle will play out is you would have immediate impacts coming in, let's say, on the loan book. The Deposit Book will -- when I say deposit, the Term Deposit Book repricing will take its own time with some lag.

And, therefore, this cut kind of allows you to offset the interim, let's say, deficit that you might have. But the point I was making is assuming that there are no more rate cuts, let's hypothetically take that case, but over a three to four quarters, as you exit as a combination of this, you should have been coming on a positive NIM trajectory.

Sumeet Kariwala: Okay. So ex-RIDF, your margin would logically be slightly down over a four quarter period ex-RIDF benefit?

Niranjan Banodkar: No, Sumeet, again, I'm clarifying that's not what I'm saying. If I take the full impact of Cost of Deposit, including the SA, I'm not saying that we will compress margins. So to just answer bluntly, the rate of SA is also to enable that we should not have any compression because of the immediate repricing of the loans.

Sumeet Kariwala: Got it. And last question, sir, you mentioned multiple drivers for margin improvement over a 2-year period. Just wanted to get an idea on the loan mix as well. Will that be a positive shift?

Prashant Kumar: No, I think on the loan mix, especially, I think it would remain in the range of that 60% to 40%, like 60% would be Retail and SME and 40% Corporate and others. The only thing would be like the 60% on the Retail, which is exactly like almost like 43%, pure Retail, which was not growing in the last financial year, we would be seeing a growth of 10% to 12%, where the margins are better as compared to the other part.

But the whole mix on the loan side is not always keeping in view the yields, but also it's a diversification of risk, which actually is now helping us like there was a problem on the Retail,

the Corporate is helping us. Earlier when there was a problem on the Corporate, Retail was helping. So I think this diversification of book gives you advantage both on the risk side as well as on the return side.

Sumeet Kariwala: Thanks Prashant and Niranjan for answering those questions. Thanks a lot.

Prashant Kumar: Thank you.

Niranjan Banodkar: Thank you.

Moderator: The next question is from the line of Harkeerat Singh who is an individual investor. Please go ahead.

Harkeerat Singh: Hello. Am I audible?

Moderator: Yes, sir. You are audible. Please proceed, sir.

Harkeerat Singh: Sir I have two questions. First question is regarding the Retail Banking. Our losses from Retail Banking has increased quarter-on-quarter by around 50%. So how are you trying to – when will we see some profits in this division and second is regarding the loans from Retail, how much percentage of Total Retail Loans are you getting from the branches, Yes Bank branches and from other party also, third party vendors?

Niranjan Banodkar: This is Niranjan. Can you hear me, sir?

Harkeerat Singh: Yes.

Niranjan Banodkar: This is Niranjan Banodkar. So sir first question was on the increase in the Retail Losses. Sir as you would have – so if you see in our results we have also said that our PCR in this quarter has increased from 71% in December to 79.7% as of March. The increase in PCR in itself if we just put on a number translates to an excess of INR 300 crores of provisioning and that largely if you ascribe to the Retail Business just in terms of intention of increasing the PCR is resulting into the increase in the loss from that particular unit, that's number one.

Number two, I also want to take the opportunity to also state that what you see as part of the Segmental Result is a regulatory requirement under which we define certain exposures. This is the regulatory definition. However, when we look at definition of Retail from internal segmentation there are other elements of revenue that also get mapped and just, for example, within the Segmental Result that you will see there is an Other Income line where you might have the third party distribution, where the income gets mapped, but it's not shown as part of Retail.

But having said that, we do acknowledge that in Retail, just given the way the credit losses have played out over the last 12 months to 18 months, there has been a drag. But if you look at the performance purely from an Operating Profit perspective, I think we do see very strong and encouraging signs from the Retail Business.

I think the last point I wanted to make on segmental, which you will appreciate, sir, is that Retail also includes liabilities, and liability business is a capital-intensive business with Cost to Incomes which are higher than other businesses, because it involves investments in branches, people and those costs effectively also get reflected in the Retail Business.

So as we start seeing normalization of credit losses, as we start seeing growth coming back on our Retail Assets, and as we start seeing operating leverage on our branches playing out, we are confident and that we will be able to deliver profits on the Retail Segment as well.

Your second question was on -- I think the question was on loan from Retail, what is the proportion from what we do internally and what is that we do from DSAs, if that was the question. So we have very consciously been increasing the share of Retail Sourcing from our branches.

And that about 2 years back was 37% of our entire disbursements has actually now touched 50% as we go in this year. Our intent is to keep increasing that share. The reason I also wanted to state is why some of the sourcing was not much higher on day 1 is also because there are -- I mean, there are 2 ways of looking at driving retail.

One is you can wait for a strong liability and a large customer base franchise to get built out and then you can use assets to cross-sell. But it takes time. It will have its own ways of reaching scale. The other is to say, I can also have a separate acquisition engine on Retail Assets. And as the book builds, I can now start moving towards more internal sourcing, because the franchise is also growing in size and scale.

And I think you are seeing that play out in our instance, where the internal sourcing proportions are going up, because we are now having a much larger set of customers to deal with as compared to what we had about, let's say, 4 or 5 years back. I hope that answers the question.

Harkeerat Singh: Okay. I have one follow-up question.

Niranjan Banodkar: Yes, go ahead.

Harkeerat Singh: Yes. I'm just asking the Retail Loans -- sorry, Retail Losses, have they peaked in this quarter? Or are you seeing that they could increase further from here on in the coming quarters?

Niranjan Banodkar: So our expectation is that Retail Losses have peaked, and we should not see an increase of Retail Losses from here on.

Harkeerat Singh: Okay, thank you.

Moderator: Thank you. The next question is from the line of Srinivas, who is an Individual Investor. Please go ahead.

Srinivas: My question is regarding the key drivers which will impact the bottom line of the Bank. This year, we have made a full profit for the entire FY '25, which is INR 2,406 crores. So INR 2,406 crores, I mean, if this has to increase substantially, I mean, I can see at least 3 metrics which should really fall in line.

One is the ROA, the other is the NIM, and the other is the Total, I mean, Asset base. Asset base also should be increasing. Actually, if we see the last 5 years, like since FY '20, there has been substantial increase year-on-year in the Total Assets of the Bank. But in the current FY '25, as you compare it with FY '24, the growth rate is quite low as compared to the previous years. So what is the guidance for the Total Asset base growth rate over the next 5 years and also NIM and the ROA over the next 5 years?

Niranjan Banodkar: So sir, thank you for the inputs that you have given us. When we look at the NIM and ROA target, we have stated this publicly earlier as well. We are confident that we will, as a Bank, deliver a 1% ROA for fiscal '27 in excess of 1%, just to be precise. And we will also deliver a target of 1.5% ROA by either fiscal '29 or max by fiscal '30.

So we are very confident of delivering both these targets. Now our ability to drive those targets predominantly will come in from the expansion of the Net Interest Margin, which is currently at 2.5% exit for March '25. Full year was about 2.4%. And we have very clearly identified drivers that are going to contribute towards expansion of the Net Interest Margins from a 2.4% in excess of 3.5%.

So clearly, Net Interest Margins, I would say, is the number one driver for expansion of ROAs. That's number one. Number two, of course, as a Bank, as we scale, we do also believe that we will continue to be very frugal and optimal on our cost structure. I would say a lot more as of now, where we are very prudent and in many ways, you can say, surgical on costs. And that will also result into cost to assets improving over the next 3 to 5 years.

Will that be a dominant part of the contribution to the ROA expansion? Not necessarily, but it will be one of the contributors. Fees to Assets, we have been doing quite well actually over the last, I would say, 1 year, 1.5 years. And I think it's already now expanded to about 1.4%. We don't expect that Fees to Assets will expand by a much material number. We might see another 10 to 20 basis points of expansion in the Fees to Assets. But like I said, it is the Net Interest Margin that will drive ultimately the ROA expansion.

Now as the NIM expands, clearly, we are going to see the benefit come through on the NII growth as well, which will therefore be faster than the Asset growth that we have. On the Assets, Prashant did mention earlier, we do expect that the Assets should be growing -- the Advances rather, pardon me, should be growing in the range of 12% to 15%.

However, over the next 3 years, we also expect that the RIDF balances will come down. So to that extent, the Total Assets will actually grow slower than the 12% to 15% margin. But yes, I think that's largely the direction with which we operate.

Srinivas: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Prashant Kumar for closing comments.

Prashant Kumar: Again, thank you, everyone, for taking a keen interest in joining this earnings call. I think the Bank has been able to consistently deliver on the assurances which has been given to the stakeholders, and we are quite confident that going forward, we would be moving in terms of meeting our business objectives and also in terms of the profitability targets. So thank you so much for your support and the keen interest. Thank you.

Moderator: Thank you. This brings the conference call to an end. On behalf of YES Bank, we thank you all for joining us. You may now disconnect your lines.